

International Organizations as Producers of Development Goods

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Abstract

International organizations can be considered as providers of “development goods”, which contribute to the process of development of recipient countries. This phenomenon gives birth to a particular market, with its own characteristics, which is very similar to an oligopoly due to the high requirements needed for the birth of an international organization. This paper will analyze the characteristics of this particular market, where goods are financed by developed countries and consumed by emerging countries. Given these peculiar characteristics, this market is characterized by several particular features, the mainly being a suboptimal level of finance, given that only a part of the public opinion in developed countries is concerned about the economics of emerging countries. In addition to this phenomena, it must be added that several actors are involved, being them individuals, ministries, NGOs, private companies, so that everybody tend to benefit by the intermediation of the resources. It should be highlighted that, for the time being, it is very difficult to modify the characteristics of this market, which tends to have stable and self-perpetuating features.

Keywords: *International organizations, NGOs, development, development goods, emerging countries.*

Introduction

An international organization can be considered as an organization with an international membership, scope, or presence. They are of three types, being them international organizations strictly defined (United Nations, European Union, etc.), civil society institutions (Soros Foundation, Emergency, etc.) and multinational corporations (Pepsi, Nestle, etc.).

In the current paper, we will only make reference to the first two kinds of international organizations. Therefore, we will consider only public and non-profit institutions, leaving private corporations outside of our analysis.

As a general characteristic, international organizations can be seen as providers of development goods. That is true for the United Nations and other forms of international institutions as well as for civil society organizations.

It should be highlighted how development goods are not a particular sub-category of public goods, which have the characteristics of being non-rival and non-excludable. In fact, sometimes international organizations promote for example small and medium enterprises (SMEs) to benefit the local population, which are a typical example of excludable goods.

A development good can instead be considered as a good which serves (at least theoretically) to the development process of the recipient country. Development can be defined as the process and policies by which a nation improves the economic, political,

and social well-being of its people (O'Sullivan A. & Sheffrin S., 2003, 26).

Development goods vary deeply according to different situations. For example, they can either consist of a road, a hospital, an SME or a development policy. It is interesting to make a parallel and note that they all have in common the fact of being produced according to the general theory of production which is valid for a private firm, therefore through the contribution of labor, capital, land and what we might define as public sector entrepreneurship.

They have the characteristic of being consumed in a very particular way. They are in fact financed by taxpayers in developed countries, where part of the public opinion is concerned about the fate and well-being of developing countries. Therefore, they are partially consumed in developed countries.

At the same time, they also have the characteristic of being consumed by citizens in developing countries, where we can affirm that the totality of people is concerned about the development of their specific country.

Therefore, we can think about development goods as products consumed at the same time in two different locations, by a varying percentage of people in the two main geographic areas.

It is a very peculiar and specific situation, a phenomenon which has three very important consequences.

First, they represent goods of very particular nature, having this special characteristic of being consumed by different people in different locations. It's a characteristic which makes them unique and is shared only with some international public goods, such as clean environment, peace and security.

Second, given the fact that only a part of people in developed countries is interested in the perspectives of developing countries, development goods are constantly under produced, at least according to the perspectives of people in developing nations. This is due to the different total amount of people concerned about the development process, to the particular system of financing and the current modalities of interaction between developed and developing countries.

Third, the fact that development goods are financed by citizens in developed countries and consumed mostly by citizens in developing countries has another important consequence. It brings to delays in the allocation of resources and follow-up production and consumption of the goods, which has therefore negative consequence on the quality of what we might call the finance-production-consumption process. Delays and frictions can be easily seen in the transfer of resources from a taxpayer in a developed country to the Ministry of Finance, from there to the Ministry of Foreign Affairs to a NGO, from there to a company in charge of implementing a project to the beneficiaries. It is interesting to note how the transfer of resources which leads to the production of a development good is therefore characterized by many steps and by the involvement of several different subjects, such as individuals, public institutions, civil society organizations, private companies. The high number of intermediaries reduces the capacity of impact of the whole process. Every subject tends in fact to benefit institutionally in the framework of the process, so that part of the resources are kept for itself to bear administrative costs instead than delivered in the framework of the development good in a recipient country.

After analyzing these three main characteristics of development goods, it is interesting to see what is the market that international institutions and civil society organizations give birth to.

We can affirm that international organizations and civil society institutions are structured according to a sort of oligopoly. A limited number of international organizations are in fact present on the market, barriers at entry are high, and the level of interdependence is considerable.

The same is true for civil society institutions, since their market cannot be considered a perfect competition market, but another oligopoly, where the above-mentioned oligopoly characteristics are more diluted. For example, barriers at the entry are lower due to the lack of the general regulations imposed by state members on international organizations and therefore the total number of civil society organizations is higher than the total number of international organizations strictly defined.

The high number of international and civil society organizations, which seem to have only grown during the recent years (Severino J-M. & Ray O., 2010, 14) has the consequence of provoking some confusion in the provision of developing goods, with phenomena of overlapping, low level of coordination and wastes in a sector that, as mentioned before, is unfortunately characterized by a suboptimal level of finance.

Still, the market remains an oligopoly, with all its limitations, mainly due to the requirement of member states. This is also due to the lack of trust of donor countries in international organizations. A situation where international organizations are expanding and the problems related to development go, in the perception of donor countries, unsolved is in fact unacceptable by most member states.

The number of international organizations is therefore considered as basically acceptable by donor countries. If a factor has to be increased is the capital available for international institutions themselves, at least in the perception of many providers and recipients of foreign aid assistance.

As we know, capital is instead scarce, also in relation to international agreements, which foresee a contribution for each developed country of Official Development Assistance (ODA) equal to 0.7% of the Gross National Income (GNI). Very few countries reach this limit, basically only few Nordic countries and still it would have to be seen if this level of financing is reached by all nations, what the contribution to the development process would be in developing countries.

In conclusion, we would like to highlight that our particular form of oligopoly can be considered as a bilateral oligopoly, where the number of international organizations and the number of developing countries is relatively low, although growing. Competition can be considered as competition without prices, a typical situation of oligopoly, in fact international organization are characterized by a cost structure which is relatively highly homogenous.

The level of competition is therefore relatively low, which is a situation with both advantages and disadvantages in the particular sector of international organizations. The advantages are that UN, for example, can manage sometimes to work as a whole and in fact recently a new program has been launched, with the self-explanatory name of ONE-UN, where the organizations work with a high level of co-ordination and integration. The disadvantages

are related to the fact that, when working as a whole, the gains of efficiency which can be obtained by the United Nations through internal competition are not fully exploited. It is difficult to say which of the two forces is and will prevail, since ONE-UN is an experimental program active in only 8 countries of the world and it regards only a small part of the budget of the United Nations, but it enjoys a very high level of political support, perhaps also due to the fact that competition in the UN family is not often perceived well by donors and recipient countries.

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